Income security during sickness absence. What do British middle classes do?

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Abstract

Income maintenance during sickness absence is an under-researched field within social policy analysis, and yet it is conducive to exploring the interplay between statutory, corporate and private forms of income protection. Drawing on original qualitative interview data the article shows that British middle class couples largely ignore or dismiss public provision, which is due to a relatively low level of sickness benefits, but also based on misconceptions about social rights and the role of employers as mandatory (and voluntary) sick pay providers. Despite a considerable degree of mistrust, mortgage-related private sickness insurance mattered to some extent, although this does not necessarily reflect policy holders' strategic choices vis-à-vis current household needs for income security. Other potential sources of income replacement, such as savings, are relied on much less. In general, the analysis shows a heavy middle class reliance on, and strong confidence in, employer-based sickness pay. This finding may be contrasted with questions about the sustainability of voluntary corporate provision, as well as its capacity to provide income security for the workforce as a whole.

Keywords: sick pay; income protection; middle classes; mixed economy of welfare; corporate welfare; private insurance.

Introduction

Being out of work due to sickness is a social risk which has long been recognised in modern welfare states. Alongside other programmes, such as work injury insurance, pension provision or unemployment support, the right to earnings-replacement in the form of sickness benefits or sick pay was introduced in the late 19th and early 20th centuries in several European countries, such as Germany, Belgium, Denmark, France and the UK. Initially schemes were often state subsidized and run by voluntary organizations but later became mandatory public programmes providing daily allowances during sickness absence.

Despite this long history, and in contrast to the considerable volume of literature on the trajectory of other areas such as unemployment and pension policy, as well as long-term sickness and disability benefits, research on sickness benefit policy and provision (e.g. Kangas, 1991) has remained relatively rare, at least outside Scandinavia. This is somewhat surprising given that seminal comparative analyses include the right to sickness benefit as a key empirical indicator of welfare state development (e.g. Esping-Andersen, 1990; Korpi and Palme, 2003). It can only be surmised that this lack of analytical interest in sickness benefit (or sickness insurance) may be due to programmatic similarities with unemployment benefit in terms of eligibility conditions such as contributory records, waiting days etc.

There are however structural differences between unemployment and sickness, both as social risk categories and also in the ways in which income maintenance is institutionally organised. Both risks may be conceived as temporary absence from work which is covered by a wage replacement benefit. However, short periods of illness are more common than unemployment. In the UK, almost half of all employees experience a spell of sickness in any one year (Young and Bhaumik, 2011a), about 20% of employees are off work for more than four days and only

about 4% more than four weeks, with 80% of the latter eventually returning to work (Black and Frost, 2011: 91).

There is some variation, with a higher incidence of sickness absence amongst those who are employed in the public sector, work in larger firms and have higher earnings, but differences are small. In comparison, the incidence of unemployment is less prevalent but more concentrated, particularly affecting those with low qualifications, low skills and younger people. In the UK a third of all unemployed have been out of work and looking for a job for more than a year (OECD, 2014). Moreover, unless affected by long-term illness or disability, people out of work due to sickness expect to be back with the same employer, and would generally resume their old job. Disregarding special arrangements such as short-term working, this is generally not the case for unemployment which may be one reason why the responsibility for cash support, at least for initial periods of sickness, often rests with the employer rather than the state. In some countries, such as France, employers are required to top up public benefits (to full wage), in others, they are mandated to pay benefit for an initial period of sickness, such as two weeks (Sweden), six weeks (Germany) or 16 weeks (Austria), after which public benefits become payable. In other countries companies pay benefits (or top-up public transfers) on the basis of collective agreements, as in Denmark and Finland (Järvi and Kuivalainen, 2012) or in the Netherlands (for an overview, see MISSOC, 2015). In short, there is considerable cross-national variation in the role of public cash sickness benefits, as well as the role of employers as providers of mandatory or voluntary sick pay. Inevitably, this makes comparative analyses conceptually problematic. For example, taking account of mandatory sickness benefit only, Kangas (2004, 2010) portrayed the British provision of sick pay as similarly comprehensive as in many other European countries, but also as considerably less generous. As will be discussed, such a perspective seems unduly reductionist given that a vast

majority of wage earners in the UK are entitled to the role of voluntary employer-based sick pay.

Since the role played by British employers is substantial and extensive, it could be argued that the analysis of this particular area of social policy ought to be less 'state centred' than conventional social policy research which often restricts itself to public provision. A more appropriate vantage point would be to investigate how actual families deal with and expect to cope with particular risks. Within such a perspective, public provision may be relevant, but so might further ways of managing income security, such as private insurance, occupational benefits or savings (see also Powell, 2011). Heeding Klein and Millar's (1995) notion of 'DIY social policy', i.e. investigating ways in which citizens are engaged in or design their own 'welfare packages', social policy research in this vein has tended to be either conceptual in nature or empirically restricted to certain areas, such as pensions (e.g. Rowlingson, 2002; Clark and Strauss, 2008) and, to a lesser extent, unemployment protection (Clasen and Koslowsky, 2013). By comparison, income provision during sickness absence has largely been neglected.

Middle class families and income security during sickness absence in the UK

The ability, and propensity, to personally engage with private forms of risk protection is influenced by class, age and other social characteristics (Abbott et al., 2006; Cebulla, 2007; Taylor-Gooby, 2006; Taylor-Gooby and Zinn, 2006). Rowlingson (2000; 2002), for example, has shown that the extent to which people deal with the financial risk associated with retirement depends on aspects such as age, job security and household income. A lack of disposable, and regular, family income may make personal income security planning prohibitive. Those in precarious employment may be excluded from private insurance policies, but relatively low

household income may make regular savings difficult to achieve. In short, many simply do not have the choice but to rely on state provision.

By contrast, those with better earnings are, in principle, in a position to engage in some form of personal income protection. Moreover, assuming they are motivated in maintaining relative living standards, British middle class families can be expected to have at least considered sources of income protection other than, or in addition to, modest state benefits. This is the point of departure for this article. In essence, it aims to show which public and private sources of income security British middle class families expect to rely on during sickness absence, and to what extent.

In line with much recent work in the field the article adopts a primarily income-based definition of 'middle class', albeit complemented by other criteria discussed below. Internationally, the research interest on the 'squeezed' or 'endangered' middle class has centred on households with between 75% and 150% of the median (e.g. Pressman, 2007), or the three middle income deciles (Dallinger, 2013). Perhaps in line with a traditional social policy focus, British analyses have tended to investigate the situation of households below median income (e.g. Resolution Foundation, 2012). By contrast, the focus in this article is only on families with median and above median household income since, as will be shown, it is those families which, in principle, are in a position to rely on private sources of income maintenance during sickness absence.

Data and methods

There are no systematic large scale survey data available on the roles of public and personal means of dealing with income risks. The subsequent analysis draws on original qualitative data which was collected as part of a larger empirical research project. Its basis are interviews with

61 couples conducted in two locations in England and Scotland in 2010/11.[1] The study focused on couples with a joint income of at least £40,000. This is commensurate with median gross household incomes for couples with one or two children (ONS, 2013) and only slightly higher than the level of income which, in 2010, was considered necessary for a couple with two children to have a 'socially acceptable' standard of living (Davis *et al*, 2012:29). There has been relatively little research on the ways in which families in this income group make ends meet, and cope with income risks in particular. This is somewhat surprising given that amongst families with children, those who have a household income between £40,000 and £60,000 are outside the top 30% in the UK, and those with a household income of up to £90,000 are not in the top income decile (HM Treasury, 2013).

Interviews were conducted with couples rather than individuals, as decisions on the type and level of income security were expected to be made in the context of the family. Interviewees' own words were used where illustrative, and attributed by anonymised names. Most of those interviewed for this article were dual earner couples (both working full-time), whilst in just over a third, one of the couple (usually, but not exclusively the female partner) worked part-time (for details, see Appendix A). About as many worked in the public sector (e.g. for the NHS, in schools, in local government, as civil servants, police and fire officers) as in the private sector (mainly in manufacturing and services). Both partners were between 30 and 55 years old and all couples were homeowners, mostly with a mortgage still to be paid off. All had at least one child living with them. Having dependent children has been shown to influence attitudes and motivations towards social protection (e.g. Hoggett, 2001) and the overwhelming majority

[1] The project (ESRC, RES-062-23-1954) explored income protection behaviours and attitudes of couples with above average household incomes in England and Scotland. It covered other areas of expected and unexpected periods of reduced income, such as pensions, unemployment (see Clasen and Koslowsky, 2013), as well as periods of major expenditure, both anticipated (paying for the costs of children in higher education) as well as potential (funding long-term care needs). I would like to thank Traute Meyer (University of Southampton), Alison Koslowski (University of Edinburgh), as well as Caroline Andow (University of Southampton) and Stephan Köppe (University College Dublin) for collaboration and support.

of households in the UK who share the characteristics of the couples interviewed are homeowners (Resolution Foundation, 2012). As will be discussed, middle class perceptions and actual engagement with different ways of securing household income are often connected to home ownership.

The article explores the relevance of various means of income maintenance as perceived by middle class couples: public benefits, private insurance, employer based provision and 'other' sources. In what follows each of these four sources of income security will be addressed separately. Each section will begin with a brief description of their potential relevance as a form of income replacement, followed by a discussion of their relevance as perceived by interviewees.[2] It should be pointed out that the aim of the interviews was to identify particular themes associated with sources of income protection, rather than derive a typology of responses. However, some patterns were clearly identifiable, such as the negligible role of state benefits and the significance of employers. These will be discussed in the concluding section, which will also draw out analytical and policy implications of the study.

Public provision

If British middle class couples had to rely on public sickness benefit as the only source of income they would be faced with a considerable drop in their household income both during short and longer term. The principal type of public short-term sickness benefit is Statutory Sick Pay (SSP) which can be claimed from the fourth day of absence from work. It is payable for up to 28 weeks and its value in 2014 (£87.55 per week for over 25 year olds) was below 20%

[2] Appendix B provides a brief overview of the various options of income security during sickness absence and their main features.

of average weekly earnings. Once SSP has been exhausted claimants may receive Employment and Support Allowance (ESA) which, for the first 13 weeks, provides a benefit which is lower than SSP (£72.40). Longer-term claimants would receive ESA at a somewhat higher rate, depending on joining either the 'work related activity group' (£101.15) or the 'support group' (£108.15). Other benefits may apply for people who become disabled, with amounts payable depending on the degree of need. In short,

Following a considerable growth after WWII, by the end of the 1970s about 90% of all employees in the UK were entitled to some form of employer-based contractual sick pay. Initially the right to occupational support left entitlement to public benefits unaffected. However, employers 'might, and usually did, take account of social security provision in calculating the amount of sick pay' (Wikeley and Ogus, 2002: 527). The need to make claims to both public and occupational sick pay came to an end in the 1980s when employers were made responsible to pay out SSP. Initially this covered only the first eight weeks of sickness, with outlays fully reimbursed by the state (National Insurance Fund). For larger employers, this was later reduced to 80%, then abolished in 1994 (with the exception of small employers), and subsequently applied only to companies with a very high proportion of their workforce who were sick at any one time. In 2014 employer reimbursement for SSP was finally abolished, thereby completing the transfer of the financial and administrative responsibility of public sickness benefit from the state to the corporate sector.

As will be discussed below, in many cases employers provide sick pay which is more generous than SSP, both in terms of the level of pay and period of entitlement. This practise make it difficult to identify a boundary between mandatory and voluntary corporate income protection, and may thus have contributed to a general perception of (public) sickness benefits as largely

irrelevant. There was a noticeable lack of awareness about the level of and entitlement to state support amongst some respondents. As Bill stated: '*benefits wise I am afraid I am lost'*. Only three couples considered statutory sickness benefits as important to them. None of these couples had access to more than minimal occupational cover (see below).

Respondents assumed public income transfers to be rather modest, both in the short term ('*pennies anyway'*, Gwen) and in case of long-term illness ('*again, a very small amount'*, Mhairi). In some cases this perception was based on experience. During sickness absence in her previous job Anna had received full pay for eight weeks, followed by SSP which she described as '*very little, a horror'*. Moreover, public support was also often considered as irrelevant because of a widespread assumption that benefits were means-tested, thereby making respondents ineligible due to the presence of second earners in the family, savings or other assets. Asked about their normative position towards public sickness support, respondents displayed the same ambivalence which has also been found in attitude surveys (e.g. Hills, 2015: 37). While some favoured state support which ought to be reserved for low income groups, others supported the principle of reciprocity, i.e. the notion of benefits in return for having paid taxes (or National Insurance contributions). '*I don't see why we should be ashamed…we pay our taxes and stamps and that is what it is for….*' (Jane). '*People forget that as a national insurance you are paying against unemployment and sickness'* (Catherine).

It is noteworthy that some respondents made a distinction between sickness and unemployment as reasons for a (potential) benefit claim, with the former risk more readily perceived as a legitimate claim on state support. As Catherine stated, '*if you are ill you're ill. You can't even work, you know, that's the difference. So, I would have no problem at all claiming benefit if I*

was ill.' Such notions correspond with popular notions of more or less deservingness associated with different risks in large scale surveys (e.g. van Oorschot, 2006).

Private insurance

There are multiple private insurance policies which address the risk of income loss due to sickness. One important aspect is the connection between these policies and home ownership. Rather than providing a replacement income per se the purpose of private sickness insurance is often the ability to continue making mortgage payments (or paying off part of the mortgage) and thus avoiding the potential loss of the family home. This is also why relevant private insurance policies, such as MPPI (mortgage payment protection insurance), often cover not only sickness but also other causes for the loss of earnings such as accidents and unemployment. In 2008 about 80% of MPPI contracts provided such comprehensive coverage, while around 12% covered only sickness (ABI, 2010). Usually sold by banks and other mortgage lenders, the monthly average premium of MPPI policies was just over £5 for every £100 of the monthly mortgage payment in 2008 (ABI, 2010). At the point of a claim MPPI benefits are usually deferred (for up to 12 weeks), after which policies cover mortgage repayments (interest and capital) and sometimes related costs (such as MPPI premiums or endowment premiums) for a maximum period of typically 12 months.

In addition to, or as an alternative to MPPI, householders may take out critical illness insurance (CI) which covers a range of predefined short-term (e.g. heart attack, stroke) and life threatening illnesses (e.g. Parkinson's disease, dementia). After diagnosis, policy holders receive a lump sum which covers medical treatment and in most cases, pays out their share of the mortgage. The average cost of these policies was fairly similar to MPPI. However, the range between the lowest and highest premiums charged was considerably wider (Ford et al.,

2004). It is noteworthy that these insurance policies are not always purchased by policy holders themselves. Instead, particularly so-called 'group' CI insurance may be offered by employers to their staff. Similarly, employers might provide 'group' IPI for their employees, with eligibility sometimes linked to occupational pension schemes. Employer-based policies are offered more readily to senior staff. However, there are wide variations across companies (IDS, 2009).[3]

According to the Family Resources Survey (2004/5), in the early 2000s almost half (46%) of all mortgage holders in England and Scotland held a mortgage payment protection policy, with 39% covered for loss of earnings due to sickness (and/or accident). These figures need to be treated with caution, given that respondents often have poor knowledge about the content of policies or even the type of risk covered by insurance contracts, which they may have entered several years prior to responding to surveys. However, corporate market-based surveys (e.g. Mintel, 2009) tend to confirm the above figures and show that, in 2002, the highest take-up was among groups with slightly below mean disposable household income. For higher income and older age groups coverage rates were lower (Pryce, 2002).

Amongst the middle class couples interviewed for this article, slightly less than a third (18) stated that they were covered either by MPPI or CI policies (or both). In addition, some respondents referred to being covered by private health insurance (which provides medical treatment), often subsidised by, or entirely paid for, their employers (see below). Overall, three groups of interviewees can be identified: those who did not have and often deliberately rejected private sickness insurance policies; those who had entered such contracts under different

[3] I am leaving out other types of private sickness insurance, such as Income Protection Insurance, since they were less common than MPPI or CI and did not feature among the couples interviewed.

circumstances several years ago, and those who considered private insurance as an important means against the consequences of the potential loss of earnings.

Burchardt (1997; see also Burchardt and Hills, 1997) showed that private insurance policies in related areas, such as incapacity and unemployment, do not represent good value for money. This, as well as a general mistrust and suspicion towards private cover, was reflected in responses from the largest group. About two thirds of all couples considered MPPI policies both as 'too expensive' and something for which colleagues or friends were believed to have had to wait for long periods before insurance companies paid out. '*When it comes down to the nitty gritty, it* [insurance policy] *does not pay out'* (Mhairi); '*I think it is a con'* (Peter); '*I have never trusted the financial institutions. A friend of mine used to sell it* [CI policy]*…he never had it'* (Kenneth).

However, despite some scepticism, CI policies were sometimes entered into because of the financial consequences of the potential loss of one partner's earnings which couples felt not to be adequately protected against. *'You cannot cover any eventuality, but for once it* [getting CI cover] *was the right thing to do, with that being the worst thing that can happen'* (Mhairi). *'Immediately I could see where they were coming from, but I agree that there are things that are beyond your control.'* (Brenda). '*The small print is phenomenal; ...we've become very cynical, but yes, we're covered, most of it* [the mortgage] *is covered'* (Greg).

Often it was the mortgage lender who played the key part in persuading potential customers. Most MPPI or CI policies had been sold as part of a process of applying for a mortgage, re-mortgaging, or a '*financial health check'* (Brenda), with some mortgage lenders all but expecting customers to take out additional private insurance. '*The mortgage provider almost*

insisted that we had to have it [MPPI cover]…*we were young and a bit naïve'* (Catherine). *'You've got a mortgage and it was automatic that you took out the protection' (*Donald).

Similar to private pension planning (see Rowlingson, 2000), private sickness insurance contracts tend to be entered into at particular periods in life, such as the purchase of a property and taking out a related loan, or the birth of children. *'We did that once we had the children because I think we felt, well we've got two kids to look after, so if something was to happen, then what would we do'* (Abigail). *'So we felt at that time having family, because we probably hadn't reviewed things much since family came along, that it was important that we had some sort of protection'* (Brenda).'*We had no protection and stuff like that' …*; *the property felt that it was a kind of threat upon us'* (Catherine). Having previously rented, CI policy seemed '*important when we got the mortgage'* (Jackie).

Over time, and in the context of a more stable employment situation, the relevance respondents attached to private cover diminished. At times this led to the cancellation of policies, once again often under particular circumstances, such as re-mortgaging, or premiums being raised. In other cases, 'old' policies linked to mortgages taken out years or decades earlier were simply left unchanged because '*the premium was small'* (Barbara). Thus while particular events may have led to the purchase of private cover, a change in circumstances did not necessarily prompt a change in the way couples arranged income protection. This suggests that, to some extent, the private insurance industry profits from inertia on the part of policy holders, which in turn is influenced by a diminishing awareness of the concrete cost and benefits involved. It is '*something you look into when you take it* [CI policy] *out. I have had it for eight years and would need to look into it'* (Rebecca).

This does not imply that private sickness insurance is never based on deliberate decision making. For some respondents taking out a (CI) policy was strategic in the context of having assessed what were regarded as either inferior or inaccessible alternatives. Compared with savings, Harry considered his CI policy as '*self-disciplining'*. '*I don't think in the long term you would ever be able to save up enough money to protect against that. So it really does come down to an insurance based thing'* (Ewan). Fred signed a CI contract because in his current job he was not entitled to a 'death in service' benefit. Also, despite a sometimes hazy idea about the precise benefits CI contracts involve, couples with insurance policies were often strategic in selecting policies which only covered the potential illness and thus loss of income of one partner, i.e. the one with the higher level of earnings. '*It was that fear if something happened to Hugo and we didn't have an income, that we needed something in place to protect us in some way and tide us over so we do have those* [private insurance] *in place* (Hannah). '*Because we've got children and because he's the main breadwinner and if something did happen and you were critically ill and couldn't work we'd get at least your…I think we'd get salary paid or something at least… or at least the mortgage or something'* (Cerys).

The reference to mortgage payments is significant here. Home ownership is an important aspect for understanding the ways in which British middle class couples think about the risk of loss of earnings. Protecting the family home is the principal objective, and monthly mortgage payments were often referred to as the largest single item of regular household expenditure. '*We can all cut down on the gas and electricity but you can't cut down on your mortgage'* (Greg). With the protection CI offers, '*if there is no income then my mortgage would be paid, and that is the biggest outgoing,…..at least our house would be safe for whoever is left'* (Mhairi). The '*payment* [of CI premiums] *is probably higher than we would have liked, but you*

see the key thing for us was not to drag it [mortgage debt] *out and just have it paid sooner rather than later'*.

However, it should be pointed out that most couples regarded private insurance as complementing rather than substituting other types of income replacement, and especially employer-based sick pay which was more typically associated with covering short periods of sickness. Hayley makes this distinction, '*in the shorter term we would be paid. And in the longer term we would have the critical illness on the policy, the insurance policy, so we would have no mortgage. So it would be enough.'* However, as will be demonstrate below, this is not always the case since other middle classes families considered the scope of occupational sickness cover not only as superior to any other forms of protection but as making the latter superfluous.

Corporate provision

Most middle class employees are entitled to occupational sick pay (OSP), i.e. income replacement which goes beyond the level of support required by law. Typically, OSP is equivalent to receiving full wages for some time. Since it is part of a private employment contract between employers and employee there is no systematic information about the range and distribution of occupational provision. However, two recent surveys of more than 2000 employees (Young and Bhaumik, 2011a) and more than 2200 employers (Young and Bhaumik, 2011b) suggests that about half of all companies pay OSP, and 70% of all employees in the UK work for employers who pay OSP. There is considerable diversity across sectors, type of employers and also staff in some industries, with better coverage linked to seniority, job profile and length of service. Particularly well covered are full-time employees in large and medium companies (i.e. with at least 50 employees), staff in the public sector and companies with trade

union representation. At least two thirds of all staff are entitled to OSP in manufacturing, finance, education, public administration and health and social services (Young and Bhaumik, 2011a). With a minimum of three days and a maximum of more than four years, there is a large variation in the duration and the level of OSP.

Reviewing policies of 25 companies, Incomes Data Services (IDS, 2009; also IDS, 2011a) found that OSP was often paid as full wage for up to six months and then typically reduced to half pay for another six months. However, some companies exceeded this, e.g. paying full wages up to 52 weeks, or half pay for longer periods, but there was a considerable degree of diversity with regard to qualifying conditions (such as weeks of service), as well as waiting periods for new staff (IDS, 2009). Companies also tend to offer better sick pay in case of injuries or illnesses caused at the workplace, usually paying full wages for the entire period of absence which can mean until pension age.

Amongst the middle class couples interviewed for this article, more than three quarters (48) considered the company they worked for as their principal source of income protection during periods of sickness, and just over half (32) suggested that their employer was the only source of income maintenance they would rely on. Short spells of sickness were regarded as unproblematic since salaries would simply be paid. '*Well, when I am off sick I get paid anyway'* (Polly). '*There is protection there, but it is through my work'* (Mhairi). Just as surveys indicate, the typical case was full salary for six months, followed by up to six months half pay. Coira pointed out that, *'.. you get your full salary for six months and then half salary for another six months. So you kind of think well you've got that as a kind of safety net.'* However, some respondents claimed to be entitled to full pay for longer, such as 9 months or 12 months and in one case two years. In some cases this was due to enhanced occupational protection, offered either by their employer or trade union. For example, a police officer had signed up for a

scheme which was arranged by his union, offering full sick pay for twelve rather than six months. Gareth stated ...' *in terms of sickness benefit…, there's a scheme that sort of insures us for that sort of eventuality …..... I don't feel as if we've had to do it, we haven't had to build up anything to sort of, as a back stop.'*

Going beyond income replacement, a few respondents connected sick pay provision with free or subsidized private health insurance which applied to them. According to a recent survey, about 20% of all British employers (and more than half of all large companies) offer or subsidise private medical insurance for some of their employees (Young and Bhaumik, 2011b). Ben claimed to have accepted a particular work contract because of the quality of health insurance offered by his company. Kenneth stated that his entire family was covered by a private health insurance scheme which was subsidized by his employer. Speaking as somebody who had undergone back surgery, Harry considered that employer-based health care insurance '*stopped us from being off work for a long time…that's sort of our insurance policy in a funny sort of way'*. Another relevant employer based provision mentioned by some respondents was 'death in service' benefit. This pays out lump-sum to surviving partners ('*four times notional salary'*, Nigel), and existence or absence of such provision was referred to by several couples as a reason for either dismissing or seeking private sickness (critical illness) policies.

There was relatively good general knowledge about the level and maximum duration of entitlement to OSP. Often this seems to have been influenced by personal experience as most respondents referred to their own or their partner having been off work due to illness or injury for between a few days and up to three months. Most couples claimed that they would be able to cope financially for periods up to one year. We '*would be okay for 12 months'* (Brenda). Longer periods of ill-health were regarded as more worrying by some. '*Obviously, if it went on longer than that, then you would start to worry' (Nigel). 'We probably would need to sell the*

house' (Kenneth). However, other couples did not seem unduly worried even when faced with longer periods of absence from work on medical grounds. They referred to colleagues who had been '*bought out'*, '*put on invalidity, or disability'*…and were arguably '*making just as much as they were making on the job'* (Peter). '*Medical severance or something like that…; and your pension would kick in'* (Catherine). After a year, '*they make you take early retirement on medical grounds'* (Nigel). '*One year full salary then they'd pension me off on medical ill-health grounds'* (Bernhard). For many respondents all this seems to be rendering additional private sickness insurance policies superfluous. For example, Dale stated, 'it *is maybe a bit like a gamble but we say well we don't have to pay any extra premiums to protect our mortgage and even say you pay these premiums, the mortgage protection is only about a year anyway. So with my company you get a year's sick pay, so I think there is no point in paying money to something you don't need.'*

It should be pointed out however that OSP was far from universal in coverage, and especially those with shorter tenures or working for smaller companies expected OSP to cover only relatively short periods of time. For example, Ted had found that he was entitled to full pay for only two months, followed by half pay, which made him return to work earlier than advised. Kenneth claimed to be entitled to *'full salary for a month or something and then 5 months as a percentage of pay'*.

Because of the limits of OSP in case of longer periods off work, some respondents complemented OSP with private insurance. For example, Hayley claimed to feel initially well protected by occupational cover, '*because in the shorter term we would be paid. And in the longer term we would have the critical illness on the policy, the insurance policy, so we would have no mortgage. So it would be enough.'* Finally, there were a few references of employer-based health-related provision possibly declining. Jack, for example, claimed to have had free

health insurance as part of his work contract in the past which has subsequently been changed into an employer-subsidized scheme only.

Other sources

Employers' sick pay, on its own or combined with private types of insurance, is by far the most common form of sickness pay for middle class employees as a whole. Those not entitled to OSP, such as self-employed respondents, and also those who expected only modest employer-based provision, referred to other ways of maintaining household income levels. Least prevalent amongst those was support from the wider family and other informal financial help. Cutting down on non-essential household spending was mentioned by some, as was increasing working hours by the other partner. However, the two most frequently 'other' areas couples referred to were savings in some cases and, to a more significant extent, home-ownership.

Only two couples, both with self-employed partners, stated that they would rely on savings as their main safety net. A few others referred to savings as complementing what they perceived as inadequate OSP. By contrast, most respondents regarded savings as inadequate or inferior to occupational sick pay or even private insurance. Having opted for a CI policy which would pay off his mortgage, Colin argued that '*if you were just saving thirty, forty, fifty pound a month its only little, well I think you wouldn't, you sort of go halfway towards paying the mortgage'. 'I don't think in the long term you would ever be able to save up enough money to protect against that. So it really does come down to an insurance based thing'* (Ewan).

Investing in properties and relying on rental income was mentioned by a few couples, all of whom had family incomes in the higher income brackets and sometimes both partners were entitled to relatively generous occupational sick pay. Such investments were sometimes based on deliberate rejection of alternative options, such as private sickness insurance. '*Personally I*

think people can, should be able to do better by taking that amount of money and putting it in some sort of investment themselves rather than giving it to someone else who may or may not pay it to you and will charge you a management fee for the privilege' (Justin).

For many others, owning property was regarded as a means of being able to adjust to a potential loss of earnings. Selling the family home and 'downsizing' was regarded as way of cutting back without compromising disposable income. '*I suppose we have a lot of equity in our home. We could move to something smaller'* (Bernhard). '*I would sell my house and get something smaller'* (Manny). However, for many this option constitutes a last resort only. '*Selling the house and moving home….these are not the things that you want to be doing at that time in your life'* (Brenda). However, '*we would probably need to sell the house'* (Kerry) was a common sentiment as a last resort if faced with long-term illness in particular.

Discussion and conclusion

The analysis has shown that absence from work due to short periods of illness is something which most middle class families expect to cope with relatively well. For a large majority of respondents, employers' sick pay meant receiving full salaries for some time, typically six months, followed by six months half pay. Longer periods of ill-health were associated with a greater sense of insecurity, although some couples expected to be able to rely on employer support in the long run too, which may include the option of 'medical retirement'. Typically, the best protected seem to be older employees with long tenures who work in large companies or the public sector. In contrast, those with shorter work histories with the same employer, as well as those with family incomes closer to the median and working in smaller companies, are less well covered by occupational sick pay, or even entirely cut-off such as the self-employed. It is these couples who would rely on diverse sources of income replacement, which may include private savings, but more typically private insurance policies.

Despite the questionable value for money which mortgage-related insurance policies represent, (Burchardt, 1997), as well as widespread suspicion towards the financial industry, private insurance turned out to be the second most important, mainly complementary, source of income replacement. Given the ongoing debate surrounding the miss-selling of private income protection policies, it can be assumed that the relevance of MPPI in particular will decline considerably. At time of the interviews (2010/11) these policies mattered for a group of respondents who were typically younger, had household income close to the median, worked in smaller companies or were self-employed. Expecting no or relatively little entitlement to occupational sick pay, for these couples the resort to private insurance may be considered as deliberate cases of 'DIY social policy' (Klein and Millar, 1995). However, this interpretation needs to be qualified. As discussed, mortgage-related sickness insurance tended to be sold, sometimes aggressively, by banks and other lenders. Often, such policies were bought in the context of the purchase of the first home, and in a few cases borrowers assumed insurance to be part of the mortgage deal. Having subsequently moved on to employment associated with more generous occupational sick pay cover, some couples had cancelled such policies whereas others had either forgotten they still paid into private schemes, or decided to maintain policies because premiums were considered to be relatively small. All of this implies that the understanding of the role of private insurance needs to be set in biographical contexts, similar to private pension planning (e.g. Rowlingson, 2002). Moreover, rather than representing strategic choices to current income insecurity, the existence of private insurance products may be associated with decisions in the past and their presence due to inertia and lethargy.

As discussed, private sickness insurance could be considered as a means of maintaining achieved living standards in terms of safeguarding the family home. Maintaining the ability to

meet regular mortgage payments, which for many couples represented the largest single item of regular monthly spending, was the actual object of sickness insurance. At the same time, property is yet another potential way of coping with the loss of earnings due to sickness in the longer term, i.e. by downsizing, albeit as a last resort. This dual role of home ownership seems an essential component of the 'mixed economy of welfare', but rarely features in investigations of social security either in the UK or in comparative analyses. Similarly, the concentration on mandatory public benefits is 'likely to exaggerate the actual differences in the earnings-replacement rates' (Kangas, 1991:11). Indeed, for many British employees access to full pay for six months and half pay for another six months equates to an (aggregate) income replacement rate of 75%, which over 12 months would seem a more adequate reflection of typical cases of sickness absence than the 40% calculated on mandatory sick pay only (Kangas, 2010: 403).

As shown, and in contrast with a strong reliance on employer-based provision, state benefits hardly matter in the minds of median and above-median income earners in the UK. This is both a reflection of the low level of support relative to median earnings and its hidden nature. As discussed, employers' obligations to guarantee a minimum level of sick pay, and the common practise of topping this up, makes income replacement during sickness absence appear to be entirely the responsibility of employers. The regulatory role of the state, ensuring entitlement to income protection, is obscured. Sickness benefit is rolled into occupational sick pay, which itself appears as normal salary paid, at least for some time. It can only be surmised to what extent the widely held dismissive stance towards public benefits is influenced by this blurred boundary between public and corporate social protection.

Finally, the analysis has raised important policy related questions. Income protection during sickness absence is not a widely debated area of policy concern, despite a rather modest level of state benefits relative to median earnings, and minor role of private provision which is likely to diminish further in the wake of the widely reported miss-selling of payment protection insurance policies. This leaves a considerable room for corporate income security. Currently, the vast majority of those with median and higher earnings expect to rely on their employers, at least during short spells of sickness absence. Longer periods of sickness absence constitute a greater risk, and for those who are less well paid, employed in smaller companies or with shorter job tenures, even short spells of sickness may constitute a considerable risk to income maintenance. Moreover, occupational sick pay remains voluntary in nature, and the knowledge about its scope and scale is patchy. More comprehensive and publicly available representative surveys would be needed in order to monitor its pervasiveness and possible trends of growth or, more likely, contraction. In the small sample of middle class couples interviewed for this paper, a few respondents reported a declining generosity of sickness pay entitlement. This corresponds with commercially available survey data which suggest at least some large organisations have indeed tightened their company sick pay schemes (IDS, 2011b), even though a clearly discernible tendency has not been identified (IDS, 2013). It thus remains to be seen whether income maintenance during sickness absence will continue to be a risk which remains largely outside political debate or, if the trend is similar to declining occupational pension provision, is to become another contested social policy arena in the future.

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Appendix A
Interviewee sample

	Number of households
Household income brackets	
£40,000 – £59,000	27
£60,000 - £89,999	29
£90,000 upwards	5
Total households	61
	Number of individuals
Activity status	
Full-time employed	78
Part-time employed	24
Self-employed (full-time or part-time)	12
Stay-at-home carer	6
Unemployed or in training	2
Total individuals	122
Sector	
Public	45
Private	54
Not for profit	3
Contract type	
Permanent	96
Fixed term or casual	6
Size of employer	
Small	11
Medium	6
Large	85
Total employed	102

Appendix B

Main features of principal sources of income security during sickness absence in the UK

Source			
Public benefits	*level relative to median earnings*	*duration*	*relevance as perceived by respondents (see text)*
SSP Statutory Sick Pay	below 20%	up to 28 weeks of sickness	negligible

ESA Employment and Support Allowance	below 25%	after 28 weeks	marginal
Private insurance			
MPPI Mortgage Payment Protection Insurance	covers monthly mortgage repayment	typically 12 months (after waiting period)	Some relevance for about one third of all couples
CI Critical Illness Insurance	pays off mortgage for policy holder; medical costs	-	
Employer			
OSP Occupational Sick Pay	variable (see text); often full salary (6 months); then half salary (6 months)	varies (often 12 months)	most relevant single source for three quarters of respondents
Savings	----	----	relevant for very few couples
Home ownership	------	------	as property investment for a few; potentially relevant for many (e.g. downsizing as last resort)